

Annual Governance Statement

Scope of Responsibility

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cambridge City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.cambridge.gov.uk or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which Cambridge City Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cambridge City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements include:

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.
- The Council's Mid-Year Financial Review, which identifies how the Council will resource its aspirations and plans for any financial risks.
- The Budget Setting Report, which sets out the Council's overall spending plans for both revenue and capital expenditure.
- The Treasury Management Strategy and an Annual Treasury Report which reviews treasury management activities during the year and complies with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The arrangements for regular budget monitoring and reporting of significant variances to senior management.

- An independent Internal Audit function with a risk-based audit plan.
- An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.

- The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.

- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- The Council's Performance Review process which is undertaken annually across the Council for all staff.
- The Council's Competency Framework, which is in place for all staff and managers.
- The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- The Programme Office, which commissions and monitors projects to implement change and transformation.
- The Citizens' Survey and/or budget consultation, which are undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.
- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out some principles regarding the status of the Chief Financial Officer (also referred to as the "section 151 officer".) The statement says:

"Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report , together with how these deliver the same impact."

The Head of Finance is the Council's Chief Financial Officer and fulfils the role of the S151 officer, reporting to the Director of Business Transformation. Although this is not a director level appointment, and not a direct report to the Chief Executive, organisational arrangements are in place to ensure that the outcomes of the CIPFA governance requirements are met. Whilst line management responsibility rests with the Director of Business Transformation, the Head of Finance is a full member of the Council's Strategic Leadership Team and reports directly to the Chief Executive on financial matters.

Review of Effectiveness

Cambridge City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee.

Individual Internal Audit reports are issued directly to the Chief Executive, the relevant Director, the Director of Business Transformation, the Council's Monitoring Officer, the Head of Finance (S151 Officer), the Leader of the Council and the relevant Executive Councillor. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into to the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team. Implementation rates of agreed actions are also reported to Civic Affairs.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

The Head of Finance is the Authority's Chief Financial Officer and is therefore responsible for the proper administration of the authority's financial affairs. The Head of Finance is line managed by the Director of Business Transformation but reports directly to the Chief Executive on financial matters and is a full member of the Strategic Leadership Team.

The Council's Civic Affairs Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

Action Plan to Address Significant Governance Issues During 2015-16

	Issue	Action	Target Date	Officer Responsible
1	<p>Delivery of Savings Targets</p> <p>The Council is embarking on a long term programme of transformation which will make fundamental changes to the way its services are delivered, in order to achieve the required savings targets for the next three years.</p> <p>Work undertaken by Internal Audit in 2014/15 on the 'Achievement of Income and Savings' identified that while there were regular budget variance monitoring arrangements in place at the time of audit:</p> <ul style="list-style-type: none"> • There was no formal process for monitoring progress with and delivery of the specific savings initiatives identified in the Budget Setting Report. • The budget monitoring process did not require regular identification of the year end (outturn forecast) position. • For some initiatives there had been a lack of due diligence in quantifying the savings figures at the time of budget preparation. <p>Actions were agreed with management to address these points going forward and since then significant improvements to controls have been implemented as follows:</p>	<p>Complete follow-up review of the audit on 'Achievement of Income & Savings' to ensure all agreed actions have been implemented.</p>	31 March 2016	Head of Internal Audit

	Issue	Action	Target Date	Officer Responsible
	<ul style="list-style-type: none"> • Forecast outturns have been reported to SLT and SLT/Executive for a number of months; and • The first review of the delivery of savings targets for 2015/16 has been performed and reported, and this will continue quarterly through 2015/16. 			
2	<p>Business Transformation</p> <p>As part of the transformation agenda there is a need to ensure that appropriate governance arrangements are set up for any new service delivery methods put in place to ensure that the Council's interests are protected.</p>	Ensure that appropriate governance arrangements are put in place for all new service delivery operations.	31 March 2016	Director of Business Transformation
3	<p>Whistleblowing Arrangements</p> <p>The Council's Whistleblowing Policy was last reviewed in July 2010. It is felt appropriate to review the policy now in light of recent recommendations arising from the NHS 'Freedom to Speak up' review and also to take into account how whistleblowing procedures will work under forthcoming changes to service delivery arrangements, such as shared services.</p>	Review the Council's Whistleblowing Policy taking into account the issues identified.	31 March 2016	Head of Internal Audit/ Head of Human Resources

	Issue	Action	Target Date	Officer Responsible
4	<p>People Strategy</p> <p>The Council's People Strategy sets out how the Council will recruit, reward and develop its staff to reach their full potential. This strategy is currently under review.</p>	Complete the review of the Council's People Strategy.	31 March 2016	Head of Human Resources
5	<p>Information Security</p> <p>Information Security remains a key risk to the Council. A great deal of work has been undertaken over the last couple of years to address this issue, including revision and re-issue of the Council's policies and guidance for staff and the commissioning of Data Protection training for staff and managers across the organisation.</p> <p>There have been two minor data security breaches during 2014/15 which have been reported to the ICO and addressed appropriately. It is important, however, that the Council continues to review its processes and raise awareness across the Council amongst all staff and managers to ensure that data security is effectively managed.</p>	The Information Security Group (ISG) to continue to review data security arrangements across the Council and respond to any security breaches as appropriate.	31 March 2016	Head of Corporate Strategy (as Chair of ISG)

6	<p>Homelessness</p> <p>A review of the Homelessness service was undertaken by Internal Audit in 2013/14 in light of three Local Government Ombudsman reports and a number of key actions were agreed to address the issues raised. A follow up audit was undertaken in 2014/15 and whilst significant improvements had been made, some of the agreed Internal Audit actions had not yet been implemented in full. All of the actions are now in hand and where they have not yet been completed this is a matter of timing, for example the Homelessness Strategy will be incorporated into the Housing Strategy, which is due go to committee in September 2015.</p>	<p>Undertake a further follow up audit to ensure all agreed Internal Audit actions have been implemented in full.</p>	31 March 2016	Head of Internal Audit
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7	<p>Counter-Fraud Arrangements</p> <p>In April 2015 responsibility for Housing Benefit (HB) fraud investigation work transferred to the Single Fraud Investigation Service operated by the Department for Work Pensions (DWP) and fraud investigation resources have since been re-aligned.</p> <p>The Council's Fraud Prevention Team (FPT) still acts as the 'single point of contact' for HB fraud and continues to undertake Housing Tenancy and Council Tax Support fraud investigations. The FPT has been successful in securing funding from the Department for Communities and Local Government (DCLG) to fund a post for 6 months to support the Housing fraud investigation work and is also employing an apprentice for an 18 month period as well as a two year fixed-term contract post.</p> <p>Following the recent changes to the FPT and to ensure compliance with CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption' issued in 2014, it is now timely to review the approach to counter-fraud delivery work.</p>	<p>Conduct a review to identify potential fraud risks facing the Council and populate the Risk Register with the details.</p> <p>Develop a strategy to set out the Council's approach to managing these risks and its counter-fraud delivery arrangements.</p>	31 March 2016	Head of Internal Audit in conjunction with Head of Revenues & Benefits and the Head of Finance (S151 Officer)
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8	<p>Business Planning and Performance Measurement</p> <p>The current business planning process has been in place for four years since 2011-12 and involves the production of 7 strategic portfolio plans, underpinned by more detailed operational plans at service level.</p> <p>Performance against the portfolio and operational plans is partly measured by a set of 40 performance indicators (PIs), which were agreed by Strategic Leadership Team in 2011 and are monitored by them on a quarterly basis. The PIs themselves are reviewed regularly by SLT to ensure they remain relevant to corporate policies.</p> <p>It has been proposed to review the current business planning process with a view to streamlining arrangements and draw on best practice in this area.</p>	<p>Complete the review of the business planning process, including links to key performance indicators, to ensure a more streamlined approach to business planning.</p>	<p>28 February 2016</p>	<p>Head of Corporate Strategy</p>
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Councillor Lewis Herbert
Leader of the Council

Date: 2015

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Antoinette Jackson
Chief Executive

Date: 2015